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# THE TARIFF BOARD AND ITS WORK

SPEECH

DELIVERED BY

**MR. HENRY C. EMERY**

CHAIRMAN OF THE BOARD

~~BEFORE~~ THE ASSOCIATION OF COMMERCE OF CHICAGO  
AT THE DINNER OF THE ASSOCIATION  
DECEMBER 3, 1910



PRESENTED BY MR. WARREN

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THE TARIFF BOARD.

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Offices: Treasury building, Washington, D. C.

## THE TARIFF BOARD AND ITS WORK.

MR. PRESIDENT AND GENTLEMEN:

I have many serious and, I fear, dry matters to discuss to-night. Therefore I shall not use any time to express at length the pleasure which the Tariff Board takes in being here. It is an honor to present a statement of its methods and work and its hopes for the future to so distinguished and representative a body of business men. I shall try to give you in the most direct and simple manner a brief account of what the Tariff Board has done; what the nature of its inquiry is; what results it believes can be obtained; and what things it considers impossible of attainment. Also I shall consider the question of what methods of investigation and what powers of inquiry are best suited to achieve the really important results.

The appointment of the Tariff Board was under authority of section 2 of the tariff act of August 5, 1909. This section was the one providing for a maximum and minimum tariff, and giving to the President the power to issue a proclamation any time before March 31, 1910, granting to any country the privileges of our minimum tariff when he should be satisfied that such country did not discriminate against the United States or its products. This section contained the words:

To secure information to assist the President in the discharge of the duties imposed upon him by this section, and the officers of the Government in the administration of the customs laws, the President is hereby authorized to employ such persons as may be required.

We, and those who are employed with us, are "such persons."

The board was appointed in September, 1909, and held its first meeting on the 24th of that month. It had already been a subject of debate as to what authority the board had under this section to make investigations into the effect of our home tariff and the cost of production at home and abroad. This question, however, did not concern us at the outset, as we were directed to cooperate with the Department of State both in investigating the question of discrimination on the part of foreign countries and in the arduous negotiations which followed, aiming at the removal of such discriminations where they existed. This work required the whole time of the Tariff Board and its assistants until the 1st of April, by which time, fortunately, proclamations had been issued in favor of all countries, and all threatened tariff wars were averted.

In April, then, the board began to consider for the first time in detail the matter of investigations into the industrial effects of our own tariff.

The problem was an entirely new one in this country. Much had been said about the more careful and deliberate methods of tariff making in foreign countries, and the elaborate investigations on which such legislation is based. It early appeared necessary to study these methods on the ground before making too elaborate preparations for our investigation here, which might later have to be abandoned in the light of wider experience. For this purpose I left early in May to study methods in Europe, especially in Germany and Austria-Hungary. During my absence a new appropriation for the Tariff Board was passed. It should be remembered that we were unable to put a large force at work during the intervening months, as the uncertainty of continued appropriation made it impossible for us to enter into contracts for extended service. It will appear, then, that the work of the board, so far as the investigation of our own tariff is concerned, has covered, not a period of fifteen months as sometimes stated, but a period of only five months. The new appropriation was passed June 25, and specified:

To enable the President to secure information to assist him in the discharge of the duties imposed upon him by section two of the act \* \* \* and the officers of the Government in administering the customs laws, including such investigations of the cost of production of commodities, covering cost of material, fabrication, and every other element of such cost of production, as are authorized by said act, and including the employment of such persons as may be required for those purposes; and to enable him to do any and all things in connection therewith authorized by law, two hundred and fifty thousand dollars.

After the passage of the appropriation Mr. Reynolds went abroad to ascertain how far we could secure needed information from American consuls and European business men as to foreign manufacturing, cost, method, and conditions. He visited many manufacturing centers of France, Italy, Switzerland, Germany, and Great Britain. The statistician of the Board also spent several weeks in Europe in an investigation as to how far we can secure production figures from any statistical authorities or sources.

The result of this work abroad is full information as to the methods employed in tariff making by other governments and what lines of investigation of foreign conditions are most effective. We have established a direct line of communication and cooperation between the Board and European industrial centers. We have learned much as to what information is obtainable, where it is, and who will give it to us. And, what is equally important, we know where it will be useless either to ask or to search.

We realized that one of the most important things for us to know is: "how not to do it;" that is, to know what information it is impossible to secure and what efforts would prove barren of results. This applies to our work in all its phases, and it has seemed better to us to move with caution rather than to be hurried into elaborate and extended investigations which would prove of no value. We are making no apologies, but



we do feel that it is fair to ask for patience on the part of those interested in our work, in view of the fact that we have been obliged to build a road through an untraveled territory strewn with difficulties and beset with pitfalls. We felt that it was the part of all wise builders first to survey the road before trying to make the dirt fly indiscriminately.

Our work is divided into three main groups:

First. We intend to secure as to each article in the tariff concise information, some of which is easily available and can be quickly tabulated, regarding the nature of the article, the chief sources of supply at home and abroad, the methods of its production, its chief uses, statistics of production, imports and exports, with an estimate of the ad valorem equivalent for all specific duties. This is what the President meant by "translating the tariff into English." We consider this work of great importance, even if we were to go no further. To use the President's phrase again, we shall prepare for publication a "glossary of the tariff," article by article. By consulting this glossary anyone who now reads a complicated schedule without understanding at all what it means will be able to learn the leading technical and commercial facts regarding the article, put in simple language. He will be able to know how the home production compares with that abroad and what is the actual duty, expressed in ad valorem terms. This work is now well under way.

Second. We are making an inquiry into actual costs of production. The practical limits of such an inquiry, and the difficulties with which it is surrounded, will be referred to later on.

Third. We are employing men of experience from particular lines of industry, both on the technical and the commercial side, to secure accurate information regarding actual prices at home and abroad, the peculiar local conditions affecting any particular industry, and the general conditions of home and foreign competition to which it is subject.

The first part of the work is in the hands of an office force made up of men trained to statistical and economic investigations, assisted by technical experts in different lines of industry.

The second part is being carried out by trained men in the field following the detailed schedules and instructions made up by the board and its technical advisers, who go directly to the different centers of industry and work directly on the books of manufacturing plants.

For the third class of work we have been able in certain cases to secure the regular services of a few men of experience, but in the main are utilizing men of this class simply occasionally for specific information on particular conditions which can not be secured in any other way.

All this material is being obtained under the direct guidance of the board, assisted by trained economists familiar with the handling of material of this nature.

There has been much misunderstanding about hearings before the board, and many manufacturers have wondered how we can be investigating their schedules without consulting them. The answer is that we

consider it waste of time for all parties concerned to have them appear before us until we have made a careful preliminary study of the industry. In the main, either we ourselves, or our representatives, go into the field and study the situation on the ground. For this we are sometimes accused of being secretive and underhand. This is not the case at all. Before reaching definite conclusions we shall welcome the testimony of interested parties, whether producers, importers, merchants, or consumers, who will be given full opportunity to criticise, amend, or disapprove. We hope to maintain a perfectly open mind, and always to be able to recognize facts. Facts are what we are after, and the only influence that can be brought to bear on us is the influence of facts.

After this outline of our program you can appreciate the necessity we are under of concentrating our chief efforts at first on a few main lines. Naturally everyone who has some personal grievance thinks his particular schedule is the one that needs immediate revision, while we have had a vast amount of earnest and public-spirited, but utterly conflicting, advice as to what we ought to take up first and exactly when we ought to have the work completed. Whether wisely or unwisely we decided to concentrate, for the moment, on Schedule M (pulp and paper), Schedule K (wool and woollens), and Schedule G (farm products). Preliminary work is being done on Schedule A (chemicals), Schedule C (metals and manufactures of), and Schedule I (cottons). And the more detailed work on these will be begun as soon as possible. The time and effort involved in such inquiries I will explain later on. Furthermore, we are obtaining many special reports from technical experts, both at home and abroad, covering a wide range of articles in other schedules, which will later form the basis for more detailed investigations.

At the moment, besides the members of the board, the statistician, and the strictly administrative force, we have four chiefs of investigation, eight trained investigators employed on the first part of the work and about an equal number of clerks to assist them, about a dozen consulting or technical experts devoting a part of their time to the third part of the work or to reports on special topics, and twelve men in the field getting actual cost figures from the books of individual producers.

Before going further, I wish to appeal to you to keep a sane sense of proportion in regard to the work of the Tariff Board. Unfortunately, there has been great exaggeration on both sides as to the influence for good or for evil of tariffs themselves, of tariff makers, and of tariff investigators. There are those who think that the only cause of human welfare is a protective tariff, and there are those who think that protection is the chief cause of human misery. There are consumers who think that some iniquitous tariff is responsible for every rise in prices, and there are producers who think that some equally iniquitous tariff is the cause of every fall. In the same way, there are those who seem to think that a careful and impartial investigation into the working of the tariff will



prove the death knell of American prosperity; while others think that this so-called "new method of tariff making" will remove all the evils of society, and that, when it is once established, all those who now find their income inadequate to meet their expenditures will be freed from the duns of creditors, and will have solved the age-long problem of how to make both ends meet.

We had supposed that we were called to the modest, even if difficult, task of accumulating information for the officers of the Government, and we are somewhat aghast to find that in some quarters there is being attributed to us an alchemistic power for good or evil. Many economic theorists have attempted to find the philosopher's stone by means of which prices could be made high for all those who wish them high and low for all those who wish them low. It would be a fine thing if the farmer could always get \$2 a bushel for his wheat and the workingman pay only \$1 a barrel for his flour. It would be a fine thing if the manufacturer could always get \$5 per yard for woolen cloth and the tailor could put 3½ yards of it into a suit of all-wool clothes and sell it for \$5 with a handsome profit. Strangely enough, some people seem to suppose that such things are possible by government action, and to be inclined to hold any government responsible which does not accomplish it. It is because of these exaggerations that we earnestly beg every intelligent man to take a reasonable view as to what any tariff board or tariff commission can do or can not do. If it were possible for this Tariff Board to

Change this sorry scheme of things entire,

to rip away the props of the prosperity which now exists, or to make prosperity universal in all homes; it were high time that the President or Congress should call us off and say—

To humbler functions, Awful Power, I call thee.

I do not wish, gentlemen, to treat this question in any spirit of levity. I do hope, however, that false hopes and false fears may be eliminated from its discussion.

However difficult the work intrusted to such a body as ours will prove, the principle itself is a very simple one. It is merely a question of whether or not, under our old methods, provision was made by the Government for an adequate inquiry into the nature of tariff legislation and the industrial effect of each schedule. Many people think that this was done and that there is no need for any change. It seems, however, to be a growing opinion that a new agency should be provided by the Government, which shall conduct a continuous inquiry of an impartial and nonpartisan character regarding those very important matters. For even if the effect of the tariff for either good or evil has been greatly exaggerated, no one would question its great importance to American industrial life.

Careful and important inquiries have been made by private initiative into these questions in many individual cases. Is there anything startling or revolutionary in the demand that the whole field shall be covered by some impartial agency of the Government?

Disregarding for the moment all other branches of the government, look at it from the point of view of the President. It is his duty both to approve all tariff acts before they become law and also, when he sees fit, to recommend to Congress change in the existing laws. Under the old methods was there any source to which he could at all times turn for reliable, prompt, and up-to-date information on these matters? Has he not a right to have such information provided? Is it not a reasonable request that he should ask that a body established which can furnish him information based on facts—not opinions—free from any special industrial influence and unbiased by party prejudice?

One thing, however, is perfectly true—that although there is nothing startling in the principle of having careful investigation into the industrial effects of the tariff, so thorough an inquiry as we are now attempting to carry out is somewhat unprecedented in this or in any other country. Consequently many questions have doubtless already arisen in your minds regarding such a program. I fancy I can anticipate some of them. For example:

1. Is all this information necessary?
2. What will it amount to?
3. Can you get it?
4. What can you do with it?

Let us take these questions up in order. First: "Is all this information necessary?"

Many people believe that our investigation is planned on altogether too elaborate a scale, and that such a body as the Tariff Board can find out all that is necessary about tariff conditions by much simpler methods. This is a criticism which should be fairly considered.

In no country of Europe, for example, has the method of investigation of industrial conditions as affected by the tariff included such extended examination of costs of production by trained experts in the government employ as is contemplated by the Tariff Board. Such special statistical work as has been done abroad in connection with tariff investigations has been rather in the way of an industrial census similar in character to the census of manufactures undertaken by our Census Bureau. Neither the Government, nor any special board or commission cooperating with it, has employed a staff of accountants or industrial experts to examine the books of manufacturing concerns and make independent reports. The method has rather been in the nature of frequent and friendly conferences with all the parties interested, while the interests of the consumer have been represented by the government officials themselves. These conferences are on the whole of an informal nature. That is, there is no



formal governmental body which holds appointed hearings, and there is no publication of the testimony given. The officials concerned confer informally with the different parties interested, sometimes at their offices and sometimes by means of personal visits at different manufacturing plants.

An interesting comparison can be made between the conferences held by the tariff officers of these governments and the hearings before the Ways and Means Committee of the American House of Representatives. They are similar in that the aim is to hear all interested parties and to come to a conclusion as a result of the conflicting testimony.

There are, however, important differences in the two methods. In the first place, the government officials in these two countries are not legislators concerned with many other affairs, but are trained experts of permanent tenure, who devote themselves solely to this question and have years of experience behind them. Second, they are free both from the pressure of local business interests and from any political bias. They do not have to consider the effect of their conclusions either upon their own tenure of office or upon the success of any particular party. Third, the hearings are not crowded into a space of a few months, so that an overworked committee is not swamped with material which it can not fully comprehend. The work goes on, day in and day out, over a period of years, and is conducted continuously by the same men who have received and carefully considered every complaint regarding the tariff which has been made from any source during the whole time of its operation.

In some cases the expert government officials in the ministries have been materially assisted by certain official or semiofficial bodies, but none of these have performed the services which have been expected of a tariff board or a tariff commission in this country. In Germany, for instance, there is a large committee which, in the preparation of the last tariff was very active at a certain stage of the proceedings, and this is sometimes referred to in this country as the German Tariff Commission. This body, however, which numbered thirty-six, was primarily an advisory body, made up of the great leaders in the industrial world. Its members were men of large affairs, working simply on a trifling per diem and devoting most of their time to their own personal business. Their assistance to the Government was undoubtedly great, but this assistance was due to their long experience as business men and their consequent competence for taking testimony, rather than from any special investigation which they undertook.

In the same way, in Austria, the Government has received much assistance from a committee of the associated chambers of commerce which has attempted to straighten out beforehand the conflicting demands of the producing interests and present to the Government a scheme which was already supported by the business world. This body, however,



represents primarily the producing interests, and is in no sense the determining factor in tariff making. In both of these countries the real responsibility for understanding the nature of the tariff and its workings is placed in the hands of the officials of the different ministries, as already described.

The situation here, however, is very different from that in countries like Germany and Austria. Such investigations are necessarily a part of the work of a tariff board in this country. The chief reason for this may be roughly expressed in the phrase "making up for lost time." If there were any board or group of government officials in existence who had devoted themselves solely to the question of the industrial effects of the tariff for a period of twenty years, as is the case in Germany and Austria, such investigations would probably not be necessary. Such officials would already be sufficiently familiar in a personal and practical way with the facts regarding costs and competition in the different industries to be able to report or advise. No such body exists in the United States, and the effort promptly to put the question of revision on a sound basis, therefore, involves a much more extensive labor of investigation than would otherwise be necessary.

The second question is, What does it amount to? That is, assuming that we have this information, including even details regarding costs of production, will it afford the real basis for a judgment regarding tariff rates?

Frankly, we do not believe that a mere statistical knowledge of comparative costs of production is an all-sufficient basis for a tariff judgment. In fact, we wish to emphasize most strongly our position that the tariff problem is not a mere statistical problem. It is important that we do not delude ourselves or the public with the idea that the greater the mass of figures accumulated the greater the knowledge derived. We must limit our work in such a way as to avoid two grave dangers: First, that the board would be so swamped by a mass of material that even if it were greatly enlarged it could not handle the matter intelligently; second, that the board would be forced to trust merely to tabulations and averages in mathematical form. This latter danger promises to become the crux of the whole situation. There are those who seem to think that by getting a sufficient mass of figures and putting them through the adding machine the result will be some magical figure which represents an ideally just rate of duty for any specific article. Please do not think for one moment that we share this view. Despite the need for a large amount of statistical material and special technical reports, there can be no satisfactory results secured unless the officers of the Government intrusted with such investigations can supplement these materials by the application of common sense and practical business judgment. They must know the conditions of competition in each industry, they must be familiar with local conditions

through study on the ground so far as possible, and they must analyze sympathetically, and yet critically, the claims of each interested party. They must recognize that the question of prices sometimes proves more fundamental than the question of costs. The tariff question is one of business and not of mathematics. The problem of how far an industry needs protection to keep it in sound existence, or what the effect of its decay would be, can not be settled by any algebraic formula.

Granting all this, however, the fact remains that a sound tariff judgment can not be formed without detailed statistical knowledge. In the case of standardized products the facts regarding costs of production are of imperative importance, and we propose to get them. Without judgment, statistics are useless; without statistics, judgment is unreliable.

Doubtless, however, after the experience gained in detailed investigations in the case of leading articles, adequate information can be secured regarding a great mass of minor commodities by a simpler and shorter process. The first investigations will serve as a standard of what ideally should be known, so that in the case of other articles the board will not be deluded by superficial information.

It must also be remembered in considering the question of what this information will amount to, that tariff rates are in any case only rough approximations. Even if mathematical accuracy can not be obtained, we are convinced that such information as we are securing, when considered by reasonable men and checked by the knowledge of those who have followed an industry for a lifetime, will furnish a body of knowledge on which tariffs can be made which will have the full confidence of fair-minded men.

We now come to the third question, namely, Whether the board can secure this information, which we have already attempted to show is both necessary and significant.

This really involves two questions: First, whether such information can be secured, assuming the fullest powers on the part of the board and the most complete cooperation on the part of the manufacturers; secondly, assuming that such information is available, whether such a board has sufficient power to secure it.

Under the first head the crux of the question comes in the matter of getting costs of production. Obviously, what we call the glossary part of our inquiry, as already described, can be easily carried out, and in the matter of getting prices and competitive conditions we are sure that adequate information is available. It is unfortunate that so much emphasis has been laid on the question of getting relative costs, since many people have assumed this to be both an easy task and a complete solution of the question. Any practical man knows that both these assumptions are faulty. One of the most difficult problems which a manufacturer has to solve in his own business is to determine the cost of any individual article which he produces. In fact, it would not be



unreasonable for a manufacturer to respond to a request from such a body as ours for his costs of production: "I would give them to you if I could get them, and I am willing to pay you a good sum if you will find them out for me." We were puzzled at the very outset by the question "What do we mean by cost of production? Exactly what items are to be included? According to what definite principle are all general items to be prorated for a given product?" In fact, much of our time was devoted to working out a careful scheme of cost accounting which would be of such a character that it could be adapted to the peculiarities of each industry without departing from a general, uniform plan. Weeks of arduous labor were required to work out details of cost sheets. Despite the delay involved, we thought this essential. If we were simply to take the estimates of the manufacturers, without further inquiry, we could never be sure that the returns were in any way comparable, since every manufacturer might have a different idea as to what constitutes cost. It was essential for us to determine exactly what costs we were after, and that made it necessary for us to work out comprehensive schedules of our own in order to be sure that we were getting figures which could actually be compared. Any of you gentlemen who have worked over the problem of costs in your own factories will realize what an enormous undertaking it is to get really reliable data in many industries. We are glad to be able to report that this work has proved successful thus far in actual practice, tested by the methods of cost keeping in progressive plants.

Of course, in a great many instances it will be utterly impossible to apply such methods, and we have to determine clearly just how far we can go in each case and how significant the results are. It is doubtless a hopeless task to attempt to get the comparative cost of production in different parts of the world of a quart of milk or a dozen eggs. It would doubtless prove a needless task, if not impossible, to get comparative cost of farm products in general. In the same way there are many manufactured articles of such a unique quality that no comparison can be made between the products of different mills. On the other hand, there are many standardized articles where perfectly definite results can be secured. It certainly is possible to determine the cost of turning pig iron into steel rails or of turning a given quantity of pulp wood at the mills into news print paper. Although it may prove impossible to secure the actual cost of production of many fancy textile fabrics, there are certain definite processes which can be studied from the cost point of view, and there are various kinds of cloth which, though not standard in the strict sense of the term, are yet near enough to it for all tariff purposes.

One thing we wish to make perfectly plain, and that is that we intend to deal with actual costs and not with hypothetical or average costs. For our own purposes we believe that averages are not only of little value, but may prove dangerously misleading. Every practical man



knows that costs vary not only from factory to factory, but from month to month in the same factory. We are sometimes asked, "Which cost will you take, the highest or the lowest; the January cost or the July cost?" The answer is that we shall not select any one, but shall carefully consider all, attempting to give to each its due significance. It is exactly here that it becomes necessary to apply good sense to figures. We can never work out a figure in dollars and cents and say, "This is the cost of production." But from all the figures we can get a knowledge of cost conditions which will be both comprehensive and practical.

We are convinced, then, that in many lines such information can be secured, and that it will be of the greatest value, not only in itself, but as a basis for estimates of cost in the case of articles of such character that actual cost can not be determined. Of course further complexities arise as to what these costs signify when they have been secured. For instance, assuming that we have secured the actual cost of converting a certain quantity of spruce wood into news print paper at the mill, we still have, so far as the question of the tariff is concerned, the fundamental questions of the price of wood, stumpage values, and water-power conditions here and abroad. This is simply a sample of the complexities that are likely to arise in any case.

If the difficulties of getting accurate cost figures from the home manufacturer are great, even with the most friendly cooperation on his part, it is obvious that the difficulty of getting costs of production abroad based on absolute figures is much greater. I am sure you will appreciate the necessity for speaking with caution on this theme. I hope that nobody has assumed that the members of the Tariff Board were ever foolish enough to think that all foreign manufacturers were going to be eager to open their books to our inspection. We already know, however, some foreign manufacturers who will give us this information in detail. In any case, a great deal may be learned. We are sure that in many lines at least we can get at labor cost through a study of wages and labor efficiency, and it ought not to be a serious difficulty to get at the relative price of material. Without going into details, we may say that there are other channels of information which can be opened up and other lines of material that are already available. In any case the inability to get detailed costs abroad from the books will not be a fatal obstacle to our work. After all, the problem is simply a problem of the character of foreign competition in the American market, and if in many cases we must content ourselves with comparing the home cost with the selling price of the foreign product, c. i. f. New York, we shall know the really material factor in the situation.

In reply, then, to the question, Can we get it? we say that we can not get everything expected by the most optimistic, but we assert with confidence that we can get all that is necessary to form a basis for an intelligent judgment on the tariff, since tariff rates are in any case not

settled by any mathematical niceties, but are merely rough business approximations.

The second part of this question is whether the board is clothed with sufficient powers to get this information where it is actually available. At the present time, as you well understand, the board has no compulsory powers whatsoever.

It has been suggested that it should be given power to call for the books of business concerns and to summon witnesses and examine them under oath. These are important powers which should not be lightly invoked, nor the question of granting them be lightly dismissed. It is possible that experience will prove that such powers are necessary to an adequate inquiry. On the other hand, it should be remembered that the investigations of the board are in the nature of a scientific inquiry by the members of the board or by trained experts in its employ, who study the conditions directly at the various places of production. The main part of the work is of this character, and not the holding of formal hearings or the formal taking of testimony. After expert investigations have been made, however, ample opportunity will of course be given to all interested parties to present their own side of the case in hearings before the board, if they so desire. For investigations of this kind it does not yet appear that legal authority to conduct examinations under oath or to call for books is necessary.

My conclusion in this matter was strongly confirmed by personal study of the situation abroad last summer. I became convinced that the knowledge which the tariff officials abroad had acquired through their long study and investigation was an adequate basis for intelligent tariff legislation, and yet they are not clothed with these powers at all.

Furthermore, it is the general opinion of such officers that these powers are not necessary, and that the whole truth can be much better ascertained through careful personal study in cooperation with fair-minded and public-spirited business men than by the exercise of legal powers of a coercive nature. Testimony given under coercion, though it may be accurate so far as it goes, is too likely to become unwilling and half-hearted. There is much human nature in Falstaff's reply to Prince Hal: "Give reasons under compulsion? Were reasons as plenty as blackberries, I would give no man a reason under compulsion." In most cases more complete and illuminating information can be secured by different methods. Furthermore, much of the information received must be held as confidential by the board, so far as details of private business are concerned, and much confidential information can be secured by personal and informal conferences which could not be obtained by the examination of witnesses under oath. It should be remembered that these inquiries will be made by men sufficiently familiar with the technical processes and the general situation in each industry to know exactly what information is important for their own uses, and that they



will cover not only a large number of competitors in each field, but also all the conflicting interests from the producer of the raw material to the purchaser of the finished product.

Under these circumstances it is not likely that the board would be imposed upon by misleading information, as this would be challenged by the conflicting testimony of some other party or interest. The board wishes to be as frank and open as possible in all its relations with business men, and hopes for the same treatment from them in return. On the part of fair-minded men there should be no occasion for hostility or suspicion on either side. The board is happy to report that in its experience so far it is encouraged to believe that adequate and accurate information can be secured by such cooperative methods.

The board believes it can protect itself against any false professions of friendship and check up any intentionally misleading statements through the counter-testimony of others. It should also be remembered that the board will always have the best expert assistance which it can secure, and that any persons appearing before the board will be subject to cross-examination by an examiner wholly acquainted with the details of the industry.

When the men who are not fair-minded attempt to mislead by false information, or to make assertions which they are not willing to substantiate from their own books, they arouse at once a suspicion which is hurtful to their own interests.

After all, if work similar to that of the Tariff Board is to be made a permanent feature of our government activity, the question of powers necessary for such investigation depends largely on the principle we adopt as to the burden of proof in tariff matters. If we are to adopt the principle that the producer is to receive whatever degree of protection he wishes, and that the burden of proof is on the consumer to show that this is too high, the difficulties of such an inquiry will be greatly increased. If, however, the principle should be firmly established that a protective tariff, however necessary or desirable, is none the less a favor, and that the burden of proof rests upon the producer to show cause why such protection should be granted, the matter of power becomes relatively unimportant. Before an impartial body which has ample time to consider his demands he can not show such cause unless he is ready to present for their confidential consideration the true facts and figures in the case.

These conclusions are of course as yet tentative. Their soundness hangs largely upon the attitude adopted toward these inquiries by business men themselves. If the board is wrong in its opinion that the necessary information can be secured without the exercise of coercive powers it will be prompt in acknowledging its error.

The fourth and last question which I assumed you to ask was, What can we do with it? Assuming this information to have been collected and properly digested, would it be of any service to the Government, or be made use of as a basis for legislation?



In the first place, the most ardent defender of the present tariff must appreciate that there have crept into it not a few inconsistencies never really intended by the committees which framed it. And this has been true of all our tariff acts. These have been simply the result of haste in the midst of a multitude of details. All business men know that there are classifications out of date and not in accord with the existing state of the industry.

It is obvious then that entirely regardless of the question of the amount of protection to be given, or the general policy regarding any particular schedule, such inconsistencies and excrescences might be greatly reduced through such a method of inquiry, and personally we are inclined to believe that the study of these questions will prove that the matter of classification is often of as great, if not greater, importance than that of rates.

But you will ask, apart from questions of this kind, Will the findings of such a board really be utilized on the more fundamental questions as a basis of legislation?

On this point the position of the board will be entirely different from that of the officials of foreign governments dealing with similar problems. Under the parliamentary procedure of most European countries all important measures are first carefully prepared by the ministers and submitted as administration measures to the popular house. This means, of course, that the preliminary work is done by the permanent expert officials of the departments concerned, and that it therefore ultimately becomes their duty to frame the tariff acts. Furthermore, the general tariffs are, in the case of many countries, not intended to go into practical force, but to serve merely as a basis for the making of commercial treaties with other countries. For this reason the part played by the Administration is much more important and the detailed discussion on the floor of the house of much less significance.

This is so contrary to the practice under our own form of government that the European example fails to afford any profitable comparison. No one having respect for American constitutional requirements or historical precedents would venture to suggest the delegation to any board or commission of any legislative power in the matter of revenue legislation.

At this point we venture to make the general suggestion that in the consideration of so important an innovation as the one here contemplated the danger of being deluded by easy catch phrases should be constantly borne in mind. It is not uncommon to hear statements to the effect that the tariff question should have a "scientific solution" or that the tariff should be made "purely a business question" and "be taken out of politics." Such statements are serviceable when their meaning is really understood, but they are too often misleading. It is true that in the collection of facts for any purpose the scientific method

is of the utmost value, but in dealing with the tariff problem absolute scientific accuracy is impossible, and a scientific solution of the tariff question in the sense of a permanent and perfectly just tariff, suitable to all times and to all industrial conditions, is obviously a dream.

It is also true that the question is a business question, in that it should be settled for the best economic interests of the country, and should be "taken out of politics," in the sense that schedules should be adopted or rejected with a view to their effect on these economic interests, and not with a view to some political advantage in the play of party interests. On the other hand, the tariff is much more than a business question. It involves to-day, as it has involved through centuries in the past, a great problem of economic policy, regarding which there have always been and always will be differences of opinion. Even if accurate facts be established which receive the assent of every voter in the United States, there would still remain a fundamental divergence of view as to whether on the basis of these facts the industries of the country should be accorded no protection, moderate protection, or high protection. This is a fundamental problem, which must be settled by the popular will as expressed through its chosen representatives; and in this sense the tariff is inevitably one of the great problems of political contention.

This is no peculiarity of the United States. The more careful and thorough study of facts on which the tariff legislation of many European countries is based does not, and can not, eliminate the play of political forces based on divergent theories of economic policy. That in some countries the tariff problem plays a less important part in parliamentary discussion, is largely due to the fact that the known demands of certain political parties are recognized beforehand by the administration, and the bill presented to parliament is framed to meet these demands in advance.

Recognizing these facts, we come then to the question as to whether or not the findings of the board will receive recognition on the part of the law-making body either with or without specific legislation requiring it to make regular reports of its findings to Congress.

The Tariff Board has faith in the power of unbiased and unsuppressed truth to make itself effective. Those who are skeptical of this result forget that where certain interests are concerned to suppress the truth, other interests—whether from business or political motives—will be equally eager to give it the fullest publicity. When it is known that a disinterested body is in the possession of accurate knowledge, and is continually keeping up-to-date by further study, this knowledge is sure to be utilized in connection with any proposed tariff legislation.

The rôle of such a board will be to act not as legislator, nor as advocate, nor yet as judge. It will be closer to the function of a commissioner or referee appointed by the court to make a report on the findings of fact.



On these findings judgments may be rendered or policies determined by the properly constituted authorities. It ought to be plain that whatever policy the people choose to follow, or whatever party they support, the impartial finding of facts is equally important in any case.

It will be seen, then, that the present weakness of such a board lies not so much in the extent of its powers as in the uncertainty as to the perpetuation of such powers in the future. As long as the board has the friendly and unprejudiced support of the administration, the very indefiniteness of its powers is an element of strength, provided it is able to win and hold the confidence of the public in its integrity and efficiency.

Obviously, however, all this would be changed should such a board ever be forced to perform its functions under a President not in sympathy with its efforts. With each day of additional experience the conviction of the board becomes deeper that the chief value for the future of this new experiment lies not in any report on any particular tariff act, but in the permanent continuance of an unbiased study of industrial conditions from year to year. A report of formidable dimensions might in time be prepared on the entire existing tariff in relation to the industrial conditions at the time of its passage, but this would be rather of academic or historical interest than of practical service, and would be so soon out of date as probably to go the way of many ineffective commission reports in the past.

It has already been said that because of the absence of such information in the past, much more careful investigations must now be made than would otherwise be necessary, and detailed reports published on the basis of these investigations. If, however, any permanent results are to be secured, those investigations must serve simply as the foundation for a continuous study of industrial changes year in and year out.

We believe that such a body will render service of great value both to the executive and the legislative branches of the Government. It matters little whether it is called a bureau, a board, or a commission. It is, however, of the utmost importance that it should be established on a permanent basis; that its members be appointed solely for their capacity efficiently to deal with economic questions of this nature without bias of any kind; and that its duties and powers should ultimately be defined by law in such a way as to make them independent of the good will of any individual, and free from the influence or control of any party.

Such then, gentlemen, is our idea of what a tariff board can do and can not do.

In answer to the four questions I imagined you to ask, we say that after careful consideration of the difficulties we still answer them all with confidence in the affirmative. This information is really essential to a thorough understanding of the question; it will actually form a basis for a fair judgment regarding tariff rates; it can be secured in quite adequate measure; and it must in the end have influence on public



opinion, and so on public policy. But its work can not be successfully carried out unless the public appreciates the magnitude of the undertaking, the limits within which it must be confined, the patience that must be required, and the futility of expecting the impossible.

There are various attitudes taken toward the problem of tariff revision. There are those who think that the old method of tariff making is all right as it is. They differ only as to the tariff itself. If they believe in it, they demand that the matter be considered closed and all agitation cease. If they do not believe in the existing tariff they demand prompt and radical revision according to the ideas they already hold and the knowledge they already have.

Then there are those, a growing number, who believe that our machinery of government for dealing with such intricate economic questions is inadequate; who believe that before legislation is enacted there should be a careful inquiry into the very complicated facts by an impartial body giving its whole time to this problem. But here, unfortunately, a new division arises, since among those who advocate the accuracy of the proposed new method are many who can not forego the promptness and dispatch of the old.

There are men who denounce the Committees of Congress for having attempted to revise the tariff in five months, and who yet would denounce any tariff board which was not ready to report on revision in the same length of time. This may sound flattering to those who are asked to accomplish this difficult feat in so short a time, but so far as we have anything to do with the matter we know full well that the question of properly understanding all the details of the tariff is not so much a question of relative intelligence as a question of relative study and experience. It is both inconsistent and unfair to demand at one and the same time that the tariff shall be revised on the basis of an impartial and scientific investigation of the facts, and yet be revised with impulsive haste as a political exigency. The two demands are irreconcilable, and you must choose between them. So far as we are concerned, the President has given us our task to find the facts. We have resolved not to substitute for facts any half-formed guesses or opinions. We shall not depart from this resolve under orders or pressure from any man, or any interest, nor in response to mere unthinking clamor.







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